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## FOREIGN MARKETS<sup>1</sup>

### I. A REVIEW OF RECENT DEVELOPMENTS IN THAT PART OF ECONOMIC THEORY WHICH RELATES TO FOREIGN MARKETS

That part of the theory of political economy which relates to foreign markets—the theory of international trade, and the theory of foreign exchanges—has had, of late years, an appearance of finality which has been conspicuously absent from some other parts of economic science. This stability has endured while the theory of distribution—the rational explanation of rent, interest, and wages—has been a sea of raging storms; it has endured while the theory of value, which Mill regarded as so nearly perfect even in his day, has been subjected to extensive revisions in phraseology, if not in substance; and while even the theory of prices, so much more nearly related to that of international markets, has been subjected to attack. During all this time, through all this turmoil, the theory of international trade as set forth by Mill, and that of foreign exchanges as expounded by Goschen, have remained well-nigh unaltered and little criticised. A review of the latest text-books and treatises shows us the same old theories, unchanged save in some slight details. For the present, therefore, we may assume that the theory of these two subjects is, as a whole, fairly satisfactory to economists as serving their purposes and explaining the more important features of foreign trade.

Although the generally accepted theory of international trade is in the main the same as it was fifty years ago, there is a tendency among recent writers to make a change in emphasis. The theory of comparative cost, or relative advantage, as the element chiefly determining the direction of trade, is so striking that it is apt to receive more emphasis and to be given seemingly a more important place than it really deserves. It is, of course, true that relative advantage, entirely irrespective of absolute advantage,

<sup>1</sup> Read before the section on Commerce and Exchange of the International Congress of Arts and Science at the Universal Exposition, St. Louis, September 19-25, 1904.

may, and in many cases does, determine what goods a nation will produce for export and what it will prefer to import. But by far the larger part of foreign trade moves along the lines of absolute advantage, combined as that is, necessarily, with relative advantage. Our largest exports are of those products in which we have an absolute advantage over all but a few sections of the world, and our largest imports of those things we can scarcely produce at all. It is probable that the theory of comparative cost received undue attention mainly because it is not obvious at first reading and requires careful expounding and elaborate illustrations for its demonstration. But that absolute advantage rules wherever it occurs has always been recognized.

The conflict between free trade and protection still continues with unabated vigor, protection seeming to gain ground in practice. But the chief features of this conflict are political, as they ever have been, rather than economic, and the conditions have not been such as to call forth any new arguments. The proposals of Mr. Chamberlain and his party in England, and the possibility of tariff reform in the United States, will be discussed in their practical aspects in the last part of this paper. There are then no real changes to note in the theory of international trade.

The theory of foreign exchanges or international payments has also, as has been said, remained essentially unchanged, but there has been a notable attack made upon that part of the theory which explains the international movement of money or bullion. The older theory was that whenever an excess of bullion accumulates in any country (or locality, for in this respect national boundaries present no barriers) from any cause whatsoever, it tends to raise prices, and that country (or locality) becomes a good place to sell in and a poor place to buy in, and thus the excess is drawn off. This involves the acceptance of the quantity theory of money. Those writers who have abandoned the quantity theory of money have found themselves compelled to criticise this theory of the international movement of money. Their criticism has been supported by two lines of argument. The first is that international prices are fixed by telegraph and other means of rapid communication, and cannot differ from country to coun-

try even for a short time. They further allege that there is no statistical evidence, when money moves from one country to another, of such changes in the price-level as are required by the old theory.

In all of this, it appears to me, these writers overlook the influence of the discount rates in bringing about virtual changes in prices, and, above all, the fact that the rates of exchange are fluctuating constantly. A change in the rate at which a man sells his bill is tantamount to a change in the prices he receives for his goods. The machinery by which foreign exchange is governed is so delicate that a very slight change will set it in motion. Those who criticise the older theory make much of the argument that a uniform "general" rise or fall in prices is never observable, as the prices of some commodities fall when others rise. I am inclined to believe that a "general" rise or fall can and does occur. A change in the discount rates and a change in the rate of exchange is equivalent to a general change in the level of prices; as it affects all bills alike, it affects all sales alike. It is the resultant of those forces which affect all prices uniformly, other forces being at work on the different commodities separately causing the divergencies which obscure the issue. Such a change in the rates of exchange is the very phenomenon demanded by the old theory as the cause of the international movement of money. The old theory does not require that merchants get out new catalogues or change violently from what would otherwise have been the prices they offer or accept for their wares. A sale of wheat by a Chicago shipper to London on a day when he can sell his bill at \$4.89 is worth 1 per cent. more than if the sale took place on a day when exchange is \$4.84. Here we have a difference of 1 per cent. which can occur without a single change in quotations. Every such fluctuation is felt at once by the delicate machinery that moves the tides in the ebb and flow of bullion in international payments. As to the argument that we have no evidence in current index numbers showing clearly that a rise in prices has followed an increase in the stock of bullion, it may be said that we have no statistical device for watching prices which will record such a change with the requisite delicacy, even

if we were warranted in looking for the change in the prices current. The change required by the theory is too slight to be detected by any statistical device yet invented. Such a criticism amounts to saying that the governor of a steam engine does not regulate its speed unless the arms and balls are gyrating violently up and down, when, as a matter of fact, the better the governor, the slighter the fluctuations. The weight of the argument in this controversy that has recently grown so hot seems to me to sustain those who have rushed to the defense of the quantity theory, and there seems to be no occasion to qualify the statement made above that the theory of foreign exchanges has undergone no important modification in recent times.

## II. A REVIEW OF SOME OF THE MORE IMPORTANT RECENT EVENTS IN THE ECONOMIC HISTORY OF FOREIGN MARKETS

Although the economic theories relating to foreign markets have been quiescent enough of late, there has been stir and bustle indeed in the markets themselves, and during the past five years certain great changes affecting them have come to pass which are worthy of enumeration, and which suggest many important problems and considerations. These changes affect primarily the markets for American and also for European goods in the Orient, and the routes of travel between the Far East and the markets for oriental wares. They are: (1) the acquisition of a trading base in the Orient by the United States; (2) the completion of the Transsiberian Railroad; (3) the expansion of steam-carrying trade on the Pacific and the definite determination of the fate of the Panama Canal; (4) the opening of China; (5) certain important changes in the conditions of the production of several of the great commodities of the world's trade.

1. *The acquisition of a trading base in the Orient by the United States.*—Chief, in many respects, among these changes is the advent of the United States in the Orient by the acquisition of the Philippines, of Hawaii, and of other islands in the Pacific. That this is an event of first-rate importance is easily realized when we consider but for a moment the significance of the Philippines in the past history of oriental trade. Manila has been

in the past, and can again become, a great commercial emporium. In 1573, when the Spaniards acquired Manila, there was no safe and economical route between eastern Europe and the Orient. Long and tedious as was the Spanish route by galleons to Acapulco, through Mexico, and then across the Atlantic, it was far less difficult than the older routes via Archangel, or northern Russia, and central Asia. Moreover, Manila was, by virtue of its location and of the local products of its immediate environment, a natural emporium for the collection of some of the most precious wares then or since known to commerce. Conveniently located between China and the Spice Islands, with India also near at hand, Manila had the additional advantage of being a collecting and distributing point for certain local wares which had, long before the advent of the Spaniard, served as a lure to bring the Chinese and other Asiatic traders to her harbor, and which in turn helped to obtain the wares that Europeans sought. With silver from Mexico and by way of enforced "tribute," the Spaniard bought or collected from the natives of the Philippines rice, palm oil, abaca, and other fibers, fine straws and cane, dye-woods and lumber needed in China, and bartered these for the silks of China, the fine woven fabrics of India, and the spices from the islands to the southwest of the Philippines, all of which the Chinese traders brought.

As a mere *dépôt* for southern Asiatic wares Manila has since lost her original monopoly, and must now compete with Singapore, and Bangkok and, what is more important than either or both of these, with the aggregate storage capacity of the many smaller treaty ports south of Shanghai and the ports in French China. Her nearest European rival, Hongkong, she need not fear, for Hongkong has no warehouses and no local products, and is commercially but a city of office buildings. Her vast shipping trade is a mere paper record of tonnage passing by, but rarely discharged. Hongkong, moreover, is at a point slightly off the direct route of the most important lines of trade; Manila at a point where many lines of sail and steam travel naturally converge or pass, and directly on the main route from northern Asia to Australia. Imports into the Philippines via Hongkong dwindled from \$4,600,000 in 1900 to \$500,000 in 1903 under the influence

of direct steamer connection with northern Asiatic ports. A day for a ship in Hongkong harbor waiting for orders usually means a day lost in idleness of men and capital—an item of necessary expense, perhaps, but with nothing to offset it directly on the profit side of the account, nevertheless; while a day in Manila Bay, by contrast, is one of busy activity and with a distinct profit to offset expense. With rice and cotton goods inbound, abaca, copra, and sugar outbound, Manila has business for a steady stream of vessels; and as a collecting point for spices, for Chinese table delicacies such as *beche de mer* and birds' nests, and for shell and similar valuable items all northbound, she has no rival save Singapore, and, although for silk and coffee and spices westbound she has to compete at some disadvantage with Singapore and Bangkok, she has no rival when the same wares are eastbound. Tea is the only great staple of oriental export in which Manila cannot deal with advantage.

It is obvious that Manila can again be made a very great emporium, and whatever tendency there may be under the flag to turn these valuable wares which can be assembled there over an eastbound instead of a westbound route tends to increase her importance. In this respect it is a great pity that the exigencies of the revenue system have not allowed the United States government to make Manila a free port like Singapore. To be sure, the methods of modern trade do not demand, to the same extent as in the past, the gathering of wares by small ships at great ports to be finally transported to their destination in larger vessels. The large steamers of today have so many ports of call that the territory contributing to any one depot is limited. But Manila is so situated that the territory naturally tributary to her is large. The entrepot business of Manila at the present time is limited to products of the Philippines and, though large, is but a small fraction of what it should be. The existence of a custom-house, with the necessary inspection, delay, tonnage duties, port charges, etc., even though duties are remitted on goods intended for re-exportation, involves such a burden, that a port so afflicted cannot become a collecting center save for goods produced within the tariff wall. To afford Manila a chance to rehabilitate herself as an emporium

for the Orient, a portion of the port and harbor might be set aside as free territory. There are islands in the harbor which would serve this purpose admirably. Within this free territory, goods not the products of the Philippines themselves, and not destined for importation into the Philippines, could be landed, trans-shipped, etc., and vessels come and go free of restraint. As there is no hope that the custom-houses can be abolished in the islands for years to come, because of the need of revenue, some such plan is necessary to restore Manila to her proper place in oriental trade.

The importance of Manila in oriental trade may be illustrated in another way than by the mere enumeration of her advantages of location and the importance of the local products of her contiguous territory. The fact that the Mexican dollar is the standard coin — so far as there is any standard — in the greater part of oriental trade, shows the extent of Manila's former commercial supremacy. For two centuries a steady stream of these coins flowed through Manila at the rate of from 250,000 to 3,000,000 Mexican dollars per annum into her commercial connections. The extent of their dispersion measures very nearly the extent of Manila's commercial influence. That the United States, the only great occidental nation still using the dollar, should have entered the Orient over the pathway marked out by that coin is at least auspicious.

Manila's commerce has responded rapidly to the advantages of American rule. During the first three years of our administration it grew to double that of the best year under Spanish rule, and has grown apace ever since, in the face of war with its devastation, pestilence, and terrible agricultural reverses, and in spite of a new tariff and a severe customs-administrative law.

2. *The Transsiberian Railway.*—The completion of the Transsiberian Railway took place so shortly before the beginning of Russia's great diplomatic and military struggle for the control of that railroad's best trade termini that no satisfactory data are yet available to show the effects which that enormous enterprise will have. Much, too, turns upon the outcome of the present war. It is obvious to the most superficial observer that American and European trade interests in Manchuria and northern China will



be safer under the yellow flag with its blue, green, and red dragon, which, fierce as it looks, stands for the beneficent sway of Sir Robert Hart, than in the claws of the Russian bear, or even under the civilizing empire of the mikado. But, aside from the problematical possible effects of artificial restraints on trade, the Transsiberian Railroad will undoubtedly affect the markets and the trade routes of several of the great staples of oriental trade, namely, petroleum, cotton, and cereals for oriental consumption, and silks and tea for occidental consumption. For all high-class goods, where the saving in time is essential, the Siberian route will be attractive. Neither the Panama Canal, nor the combination of well-equipped steam and rail lines across the Pacific and the United States and Canada, can outrival the Siberian route, save in so far as American oriental trade is affected. So far as American cotton and cereal interests are concerned, they can be protected, even in Manchuria—barring extreme political interference—by the steamship lines now in operation across the Pacific and so rapidly expanding their capacity. The great disadvantage under which the United States labors in competing for a general trade in the Orient arises from the fact that our manufactures are for the most part located on the Atlantic coast. This disadvantage will be in some measure overcome by the opening of the Panama Canal. Meanwhile the service of steamships of even greater capacity in connection with the transcontinental railways bears witness to the ever-growing importance of that trade.

3. *The expansion of steam carrying trade on the Pacific.*—The sailing vessel retained an important place on the Pacific long after it had disappeared from any but secondary trade in the Atlantic. The long distances to be traversed, the scarcity of coaling ports, together with the steadiness of the demand for, and the slow sale character of, the more important goods transported in the Pacific, gave the sailing ship an advantage. But during the past ten years I have watched from the windows of my study, which overlooks the Bay and harbor of San Francisco, the progress of a mighty but peaceful revolution—a revolution typical of the whole Pacific trade. Ten years ago for every ton that entered or left the harbor of San Francisco by steam, nearly

two came and went under sail. In 1898 the steam tonnage exceeded that of sail for the first time, and now the conditions of ten years ago are exactly reversed, and more than twice as much goes under steam as under sail, while the total is over 50 per cent. greater than in 1898. The hull of many a fine ship lies rotting on the mud flats and in out-of-the-way estuaries around the Bay of San Francisco, pointing the fate of others still afloat. The grain, coal, and lumber trade alone now offer a field for sailing vessels, and this is fast narrowing, and will be greatly curtailed when the Panama Canal is opened. These conditions are a fair sample of those which prevail all over the Pacific, and yet the growth of the steamship traffic is but beginning.

The definite determination of the fate of the interoceanic canal has been so recently the subject of wide discussion that little more need be said about it. To attempt to determine accurately, in advance, the exact effect of the canal assumes powers prophetic. Some few things are, however, clear. The canal will greatly assist trade between the manufacturing centers on the Atlantic and the Orient, and also with the west coast of South America; it will afford a cheaper route to market for grain and lumber from the Pacific coast of North America, and for sugar from the islands of the Pacific; it will force a reduction in the through rates on the transcontinental railroads, and still further emphasize the advantage of coast over interior by forcing still larger differentials than now exist in favor of the former; it will give a new lease of life to the "jobbing" trade on the Pacific coast of both North and South America; it will mark the end of long-distance transportation in sailing ships.

4. *The opening of China.*—The Japanese war with China, bringing in its train the cession of many pieces of China's territory to foreign countries, created a whirlwind in world-politics of a very violent character. In the dust which this whirlwind raised it looked as though China was threatened with disintegration. When, after the Boxer outbreak with its accompanying international military pageant at Peking, the storm subsided, and it became possible to estimate the results, it was seen that from an economical and commercial point of view China had changed but

little. Nine cities had been added to the list of treaty ports as a more or less direct result of the treaty of Shimonoseki. The inland waters of China had been opened to foreigners, and trading and warehouse privileges extended, on paper at least. But the net result to trade during the following six years was an increase of only 10 per cent.—a rate of increase, less than 2 per cent. per annum on the average, which might well have come without so much turmoil.

The insistence of Great Britain and of the United States upon the open door in China, while preventing many complications that threatened serious interruptions in trade, had a defensive rather than an aggressive value. It held the doors open, but it stimulated no new trade. In short, the opening of China in any real commercial sense is still a matter of the future. The future, however, is in this respect bright with hope.

The necessity for re-examining the customs duties of China, and of strengthening the hands of its excellent administration, which arose from the arrangements to insure the payment of the indemnity after the Boxer outbreak, afforded an opportunity for lightening the charges on commerce. The most burdensome of all these charges, not so much on account of the actual taxes imposed as on account of their uncertainty, were the interior or *likin* duties. By the terms of the new commercial treaty with the United States, ratified last January, China “undertakes that all offices, stations, and barriers of whatsoever kind for collecting *likin* duties, or such like dues on goods in transit, shall be permanently abolished on all roads, railways, and waterways in the nineteen provinces of China and the three eastern provinces.” This is not to affect the regular customs duties, which are increased by a surtax of about 40 per cent. to offset the decrease in revenue due to the abolition of the *likin*. This consummation of a long struggle for sound trade relations with China promises a real opening of China. The ultimate accomplishment of this undertaking may prove beyond the powers of the Chinese government, but the endeavor in that direction will be watched with great interest.

The railways of China, except the connection with the Trans-

siberian line and the few roads in the north in operation for some years, are still largely a network of paper concessions and partial surveys. Authoritative announcement has been made of the opening to come this year of about 270 miles of new lines.

China is still far from "open" to occidental trade, rich as are the rewards which come from the interchange of commodities so different in character between peoples differing so in customs.

5. *Changes affecting the great commodities of foreign trade.*

a) *Sugar.*—During the past half decade there have been changes of considerable importance affecting the production of several of the great commodities of the world's trade. Probably the most notable of these are those affecting sugar. The abolition of the beet-sugar bounties recommended by the Brussels Sugar Convention of March 5, 1902, marks the end of a century's struggle in building up an industry by artificial stimulus. Just before that time reciprocity between Hawaii and the United States, and the ultimate annexation of Hawaii by the United States, brought a rapid development of great cane-sugar plantations and a marked increase in the output. The restoration of peace in Cuba, and the promise of permanent peace under the American protectorate, presage a steady increase from that source also; and, although the Philippines can for some years to come produce but a comparatively small amount of sugar, yet, owing to their proximity to China, they will probably meet any increase in the demand from Asia without its drawing upon the European or American supplies. The cane-sugar-producing countries, several of which were but a few years since the most disorderly in the world, are now policed in a most satisfactory manner. On every hand there is the promise of a vast increase in the output of sugar. Yet so elastic is the demand that it has responded to the increase in supply thus far without seriously affecting prices. European beet sugar, after the repeal of the bounties, advanced only about 20 per cent., which was slightly less than the effect expected, while in America, inside the tariff wall, the price of sugar, in spite of the increased supply, has declined only about half a cent a pound. The regularity with which the demand for sugar responds to every decline in price is one of the marvels of modern commerce.

*b) Hemp.*—The United States and the United Kingdom have long been the best customers for Manila hemp. But the United States was formerly content to buy its share from English traders. Owing to the removal of the duty and the payment of what is practically a bounty, namely, the reimbursement of the insular export duties on all hemp imported into the United States, we are now buying our supplies direct. The hemp industry has responded to this stimulus in a very striking manner, the total output in 1903 being nearly threefold that of 1899, and over half of the whole goes to the United States. The only discouraging feature is the fact that the resources of this industry are overtaxed, and there is a lamentable lack of care in the preparation of the fiber, reducing its quality in a very marked degree, the premium on good qualities not being sufficient to induce proper care in its preparation.

*c) Cotton.*—The ravages of the boll weevil in Texas, and the consequent unprecedented speculative fever in the cotton market, have caused a great deal of attention to be directed to the changes in the cotton production of the world. Though not so spectacular as the soaring and tumbling of prices, the thing of vital importance in the cotton trade has been the rapid growth in the demand rather than any fluctuation in the supply. The decrease of the output of cotton in Texas from the promised yield suggested by the crop of 1900–1901 was more than offset by the increase in other states, notably Arkansas, Georgia, and Louisiana; and the commercial crop as a whole was the largest on record. Yet, large as it was, the crop did not nearly meet the demands of the spinners who depend upon American cotton. Mills everywhere have been shut down or run on short time. The most marked feature of this growing demand has been the growth of new mills in the United States. It is claimed that the United States now consumes more raw cotton, by nearly a million bales per annum, than any other country, and that it uses 40 per cent. of the American crop. The crop conditions this year promise to be about the same as last year.

The situation is, therefore, a bad one on the whole, a rapidly growing demand not being met by an equally growing supply.

The Brazilian output has been greatly stimulated in the past few years, and, unless the American conditions improve, will become a very important factor. So far as the demand can be foreseen, it will continue to grow. The opening of China will largely affect the problem in the future.

### III. THE POLITICAL SITUATION AS AFFECTING FOREIGN MARKETS.

We have passed in rapid review the recent changes in the theory of foreign markets and the more important of the concrete changes in the condition of the markets themselves. It remains to review the political situation, always more or less fraught with meaning for the world's trade so long as "national economics" rule. Space will permit of only a brief glance at two of the most important phases of the present situation: first, the agitation for protection in England; and, second, the necessity for tariff reform in the United States. In this we shall necessarily take the American point of view.

1. *Mr. Chamberlain's fiscal policy.*—After half a century of free trade in England, a strong party is now considering the advisability of resorting to protection. Although it certainly cannot be said that the proposals put forward by Mr. Chamberlain are "viewed with dismay" in the United States, yet it is true that they are matters of serious concern. In industrial circles the feeling seems to be that we shall be able, when the time comes, to adjust our trade to the new conditions; but we are much concerned to know the direction in which the adjustment will be necessary and the time when it will come. It is, at present, extremely difficult to anticipate what is likely to be done. Not only is there the problem of anticipating how far the program is likely to meet with the support of the people, but the leaders themselves present a somewhat shifting program. With true English conservatism, Mr. Chamberlain has been careful to disclaim any sympathy with protectionists, and the leaders, to quote Mr. Balfour, "approach the issue from a free-trade standpoint;" and yet, starting from that standpoint, they seem to be proceeding with some rapidity in the direction of protection, judging from the more recent of Mr. Chamberlain's utterances at Welbeck that

“the effect of free trade on the laborers of this country has been disastrous.” The program put forward each time is characterized as provisional and subject to modification. That part of it, however, which seems to be most widely accepted, and which develops most directly from the objects which those who have advanced it have in view, is of vital interest to the United States. The main object of Mr. Chamberlain’s proposed policy seems to be to cement a closer union of the empire and to draw the colonies nearer to the mother-country, thus strengthening the empire for national or imperial defense. If this object is to be attained by preferential tariff legislation in favor of the colonies, it cannot but seriously affect a number of important American industries. And if, as seems almost inevitable, the more general scheme be entered upon, and compensatory duties should be allowed British manufacturers, it will involve a considerable amount of actual protection. In the program outlined by Mr. Chamberlain in his speech at Glasgow on October 7, 1903, he proposed tentatively to lay a tax of 2*s.* a quarter upon all foreign grain excepting maize. Joined as this proposal is with a distinct purpose to build up wheat-farming in the colonies, and especially in Canada and Australia, by special exemptions and concessions which shall insure them of a market in England for all their surplus grain, it constitutes a certain menace to American agricultural interests. For, although the importations of food products into great Britain from the United States fluctuate from year to year with the changes in the crops in different parts of the world, yet, roughly speaking, Great Britain still takes about 50 per cent. of her necessary food—wheat, flour, and meats—from the United States, and any curtailment of this market, which, even at the present time, takes about one-sixth of the American output, cannot but be a matter of serious concern to the United States.

Wheat-growing in the United States is still so important an industry that its prosperity or the reverse may well-nigh be said to mark the prosperity or depression of all industries throughout the United States. The predominance of wheat-growing is not so great as it was a few years ago, but nevertheless any disturbance of that industry would be felt throughout the length and breadth of the

country. The wheat-growing industry has already suffered a series of setbacks, especially through the competition of the Argentine Republic, and lately through an increased acreage in and output from Russia. Any further curtailment of the market for the surplus wheat of the United States will be felt immediately. These considerations are, however, offset by certain others which may have considerable weight. In the first place, there has been a marked increase in the home demand for wheat and flour products, an increase in the Asiatic demand, and a promise of a still further increase in the consumption of wheat and flour in China since the removal of the *likin* duties already referred to. More than that, the area of new wheat land available is somewhat limited, and the possibility of increasing the output upon the acreage now under cultivation is not very large. With the growth of population, land once used for wheat is found to be better adapted to other uses, and is removed from the wheat acreage. There is to be anticipated, therefore, an increase in the demand in other places, which would partly offset any loss in the English markets, and a tendency in the acreage under cultivation toward stability or possible diminution.

In the earlier speech above referred to, Mr. Chamberlain suggests a duty of 5 per cent. on flour, meats, and dairy products, but he was inclined to exempt bacon on the ground that it was a "popular food for some of the poorest of the population." This proposal is not likely to work serious interference with the market for American meats. Five per cent. is scarcely a protective duty, especially with the exemption of so important an item as bacon. The strictly protective features of Mr. Chamberlain's program, such as the desire to give a "substantial preference" to British flour-mills, to prevent the "dumping" of surplus iron and steel manufactures from America on the English market, are also so moderate as not to be considered dangerous. The unavoidable restraint upon trade which the re-establishment of any system of customs duties in England will impose is more serious, perhaps, than the protectionist's proposals themselves. Rapid as seems to be the growth of favor toward Mr. Chamberlain's financial policy, no one can foresee the result at the present time.



2. *Tariff reform in the United States.*—The preliminary skirmishes for the present presidential campaign in the United States gave rise to the expectation that, whichever party might come into power in the next administration, an attempt would be made at a revision of the tariff in the United States. The temper of both conventions, however, excluded from the platforms any expression upon this important subject which made any definite promises; the Republicans contenting themselves with the general statement that, if any tariff reform is to be undertaken, it would be safer to intrust it to the hands of the friends of protection than to its enemies; and the Democrats outlining a no more definite scheme for revision than might develop from their free-trade traditions. As the complexion of the Senate makes Republican control for some time to come a certainty, any revision of the tariff must necessarily be made along Republican lines. With the apparent willingness of some of the more influential leaders to entertain some plan for a gradual revision, so moderate as not to affect existing industries, there is still a possibility that something may be done in this direction.

As the extent and direction of this revision, should it ever be undertaken, will necessarily be determined by purely political forces, economists are interested mainly in the method by which it may be undertaken. Economic writers have frequently pointed out that the methods pursued in the past for revising the tariff were unsatisfactory because of the failure to collect, in a thorough and systematic manner, the data necessary for a revision. Few, if any, of the leaders now in Congress have even a modicum of the knowledge necessary for a revision of the tariff. This may be said without any disparagement, for in fact there are few men in the whole country who have that knowledge. The precise effect of each of the duties on some four thousand different articles covered in the fourteen great schedules of the tariff cannot be ascertained by a hearing conducted by a congressional committee in the hurry of preparing proposed legislation and at which only interested parties are examined. Only by an extended and painstaking investigation along strictly scientific lines can the effect of

the present tariff or of proposed changes be ascertained. The complex interrelations which arise from the changes in the relative importance of different exports and imports as affected by different duties offer problems which are among the most difficult in the whole field of economic science. Temporary commissions appointed to gather data desired for the information of Congress when a tariff revision was under way have failed, not merely because political considerations have forced Congress to disregard their recommendations, but because their recommendations, based on a brief study under pressure of temporary demands, could not be altogether sound and well matured. The following principles may be laid down as generally admitted by impartial authorities: (1) On account of the vast size of the interests involved, sudden changes in the tariff are dangerous to the welfare of the country; (2) for the same reason violent changes are equally dangerous; (3) changes should therefore be gradual and announced long in advance; (4) to ascertain the exact effect of present duties, or to estimate the probable effect of proposed changes, requires a careful study of each of the industries or branches of trade affected, not only in this country, but in other countries whose goods are affected. If these four points be granted, then it can be safely asserted that no exigencies can arise which should be allowed to prevent what the nature of the work to be done, looking to a revision, requires, namely, a long and careful investigation of every possible effect of the tariff.

This all points to the conclusion that there should be a permanent bureau connected with the administrative department of the government whose function it should be constantly to gather and compile, according to the most approved scientific methods, all the data necessary for an intelligent appreciation of the exact working of the tariff. Such a bureau could, when required, extend its investigation so as to cover the probable effect of the proposed changes. Modern economic science is equipped with the methods of research, of analyzing and interpreting statistics, of delving into the forces which control prices, and of ascertaining the cause and meaning of changes in the direction

and extent of trade; in short, it has the methods necessary for dealing safely with the multitudinous and bewildering facts which enter into the problem of the effect of a tariff on the world's markets. There is no reason for groping in the dark when, by a little provision in advance, we might walk in the light.

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